

Message Text

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PAGE 01 VIENTI 06685 01 OF 02 301059Z

21

ACTION EA-09

INFO OCT-01 ISO-00 PM-04 NSC-05 SP-02 SS-15 CIAE-00 INR-07

NSAE-00 TRSE-00 AID-05 ABF-01 FS-01 DODE-00 L-03

OMB-01 /054 W

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P R 301000Z DEC 75

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC PRIORITY 5861

INFO AMEMBASSY BANGKOK

C O N F I D E N T I A L SECTION 1 OF 2 VIENTIANE 6685

E.O. 11652: GDS

TAGS: PFOR, EAID, EFIN, LA, US

SUBJECT: DISCUSSION OF FOREIGN MINISTRY NOTE ON BANKING

PROBLEMS WITH MFA OFFICIAL

REF: VIENTIANE 6671

DEPT ALSO PASS TREASURY AND AID

SUMMARY: ACCORDING TO DIRECTOR OF POLITICAL AFFAIRS AT MFA, HIS MINISTRY'S UNSATISFACTORY NOTE ABOUT OUR BANKING PROBLEMS (REFTEL) SHOULD BE CONSIDERED ONLY AN INTERIM RESPONSE, AND HE WILL MAKE ANOTHER APPROACH TO THE GOVERNOR OF THE NATIONAL BANK ABOUT THE PROBLEM. WE THEREFORE SUBMIT FOR DEPARTMENT'S APPROVAL AN ESSENTIALLY NON-COMMITTAL REPLY TO THE MFA NOTE. END SUMMARY.

1. I CALLED DECEMBER 30 ON MFA DIRECTOR OF POLITICAL AFFAIRS CHANSAMONE VONGSAPHAY IN AN ATTEMPT TO OBTAIN CLARIFICATION OF THE MINISTRY'S NOTE 26/AE.AP OF DECEMBER 25 (REFTEL). POLITICAL COUNSELOR ACCOMPANIED ME.

2. I OPENED CONVERSATION WITH FOLLOWING PRESENTATION: SECOND PARAGRAPH OF MINISTRY'S NOTE STRUCK ME AS RATHER PREEMPTORY. U.S. GOVERNMENT FUNDS EVERYWHERE IN THE CONFIDENTIAL

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PAGE 02 VIENTI 06685 01 OF 02 301059Z

WORLD ARE MANAGED BY EMBASSY EMPLOYEES KNOWN AS U.S.

DISBURSING OFFICERS WHO AT SAME TIME REPRESENT DEPARTMENT OF TREASURY. WE EXPLAINED ALL THIS IN OUR NOTE 655. WE ALSO EXPLAINED IN THAT NOTE THE NATURE OF THE USAID TRUST FUNDS INCLUDED IN U.S.D.O. ACCOUNT AT NATIONAL BANK OF LAOS (NBL). IT SEEMED TO US NOW, HOWEVER, THAT MFA WAS SAYING IT ALONE WOULD DECIDE MANNER IN WHICH USG SHOULD DISBURSE AND PAY ITS OWN FUNDS. WE HAD INDICATED IN OUR NOTE AND PREVIOUSLY OUR WILLINGNESS TO COOPERATE WITH RESPONSIBLE OFFICIALS OF MFA AND NBL IN EFFORT TO RESOLVE BANKING PROBLEMS, BUT THIS PROPOSAL HAD BEEN IGNORED. I ALSO FOUND MFA NOTE RATHER BRUSQUE. OBVIOUSLY I COULD NOT REPLY MYSELF WITHOUT INSTRUCTIONS, BUT BEFORE REFER- RING MATTER TO WASHINGTON I WANTED TO BE SURE THAT LAO GOVERNMENT WAS IN FACT REJECTING CONSULTATIONS BETWEEN EMBASSY AND MFA ABOUT THE PROBLEM.

3. THIS PRESENTATION APPEARED TO SHAKE CHANSAMONE UP A BIT, WHICH WAS PRECISELY THE EFFECT I WANTED TO ACHIEVE. HE BECAME EFFUSIVE IN RESPONSE SAYING THAT HIS WILLING- NESS TO RECEIVE US IN AND OF ITSELF REPRESENTED MFA'S SOLICITUDE. SO DID LAO SUGGESTION THAT WE OPEN A NEW ACCOUNT AT NATIONAL BANK, SO THAT EMBASSY COULD "FUNCTION" PENDING "VERIFICATION OF THE AUTHENTICITY" OF OUR BANK ACCOUNTS. HE ALSO RAMBLED ON ABOUT MFA'S POSITION AS INTERMEDIARY BETWEEN EMBASSY AND NATIONAL BANK AND HIS PERSONAL EFFORTS ON OUR BEHALF (WHICH APPEARED TO CONSIST OF HIS HAVING SENT AN ASSISTANT TO TALK TO THE THEN- GOVERNOR OF THE NBL OUDONE PHOLSENA--SINCE REPLACED--UPON RECEIPT OF OUR NOTE).

4. CHANSAMONE WOUND UP BY SAYING THAT MFA NOTE SHOULD BE REGARDED AS AN "INTERIM" RESPONSE TO OUR NOTE (ALTHOUGH I AM NOT SURE THAT WE DIDN'T PUT THAT WORD INTO HIS MOUTH) AND BY CONCEDING THAT MFA NOTE HAD NOT ANSWERED OURS POINT BY POINT AND HAD NOT INTENDED TO DO SO; A DEFINITIVE RESPONSE WOULD HAVE TO AWAIT COMPLETION OF "VERIFICATION" OR OUR ACCOUNTS (WHICH HAS NOW SUPPOSEDLY BEEN UNDER WAY SINCE MID-SEPTEMBER).

5. WE ATTEMPTED TO EXPLAIN THAT STATE AND TREASURY HAD ALREADY INSTRUCTED US NOT TO OPEN A NEW ACCOUNT PENDING CONFIDENTIAL

CONFIDENTIAL

PAGE 03 VIENTI 06685 01 OF 02 301059Z

CLARIFICATION OF STATUS OF OLD ACCOUNTS AND HAD TOLD MFA THIS IN OUR NOTE. TREASURY WAS NOT LIKELY TO SANCTION OPENING OF NEW ACCOUNT WHILE EXISTING ONES REMAINED FROZEN. IN ANY CASE, POSSESSION OR NON-POSSESSION OF A VIABLE BANK ACCOUNT WAS BESIDE THE POINT; EMBASSY COULD PRESUMABLY CONTINUE TO OPERATE IN CASH. WHAT WE WANTED WAS SUBSTANTIVE REPLY ON THE EXISTING ACCOUNTS, AND WE REMAINED READY, AS ALWAYS, FOR FACE-TO-FACE DISCUSSIONS

WITH MFA AND NBL OFFICIALS.

6. THESE REMARKS, AND OUR FURTHER ATTEMPTS TO EDUCATE CHANSAMONE WITH RESPECT TO EXISTING ACCOUNTS, APPEARED TO ACCOMPLISH LITTLE. CHANSAMONE EXHIBITED LITTLE COMPREHENSION AND ESSENTIALLY REPEATED WHAT HE HAD SAID EARLIER (PARA 3, ABOVE). WE DID AGREE IN THE END, HOWEVER, THAT WE WOULD REPORT TO WASHINGTON THE MINISTRY'S ATTITUDE AS CHANSAMONE HAD EXPLAINED IT AND THAT HE WOULD MAKE WHAT HE SPECIFIED AS A "FINAL DEMARCHE" TO THE NATIONAL BANK ABOUT THE PROBLEM, REITERATING OUR OFFER TO MEET AND OUR REQUEST FOR A SUBSTANTIVE REPLY TO OUR NOTE.

7. COMMENT: CHANSAMONE BENDS WITH THE WIND FROM WHAT-EVER QUARTER, AND WE DOUBT THAT HE WILL BE ANY MORE EFFEC-TUAL THAN IN THE PAST IN GETTING NBL TO MEET WITH US OR IN OBTAINING ANY SUBSTANTIVE EXPOSITION OF OUR BANKING PROBLEMS. HOWEVER, WE SEE NOTHING TO BE GAINED BY SENDING A CONTENTIOUS RESPONSE TO THE MFA NOTE AT THIS STAGE AND AND INSTEAD PROPOSE FOLLOWING REPLY:

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PAGE 01 VIENTI 06685 02 OF 02 301058Z

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ACTION EA-09

INFO OCT-01 ISO-00 PM-04 NSC-05 SP-02 SS-15 CIAE-00 INR-07

NSAE-00 TRSE-00 AID-05 ABF-01 FS-01 DODE-00 L-03

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FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC PRIORITY 5862

INFO AMEMBASSY BANGKOK

C O N F I D E N T I A L SECTION 2 OF 2 VIENTIANE 6685

"THE EMBASSY OF THE UNITED STATES OF AMERICA PRESENTS ITS COMPLIMENTS, ETC., AND HAS THE HONOR TO REFER TO THE MINISTRY'S NOTE NUMBER 26/AE.AP OF DECEMBER 25 CONCERNING THE ACCOUNT OF THE UNITED STATES DISBURSING OFFICER AT THE NATIONAL BANK OF LAOS.

"INASMUCH AS THE MINISTRY'S NOTE DID NOT RESPOND TO MOST OF THE POINTS RAISED IN THE EMBASSY'S NOTE NUMBER 655 OF NOVEMBER 25, AND INASMUCH AS THE MINISTRY'S DIRECTOR OF POLITICAL AFFAIRS INFORMED OFFICERS OF THE EMBASSY ON DECEMBER 30 THAT THE MINISTRY'S NOTE SHOULD BE CONSIDERED AN INTERIM REPLY TO THE EMBASSY'S NOTE, THE EMBASSY WILL CONTINUE TO AWAIT THE MINISTRY'S DEFINITIVE RESPONSE WITH RESPECT NOT ONLY TO THE ABOVE-MENTIONED ACCOUNT BUT ALSO TO THE ACCOUNTS OF THE UNITED STATES DISBURSING OFFICER AT THE BANQUE DE L'INDOCHINE AND THE BANQUE LAO VIENG.

" PENDING CLARIFICATION OF THE STATUS OF THESE EXISTING ACCOUNTS, THE INSTRUCTIONS BY THE DEPARTMENTS OF STATE AND TREASURY THAT THE UNITED STATES DISBURSING OFFICER NOT OPEN A NEW ACCOUNT AT THE NATIONAL BANK OF LAOS REMAIN IN FORCE.

" THE EMBASSY MEANWHILE REITERATES ONCE AGAIN ITS
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CONFIDENTIAL

PAGE 02 VIENTI 06685 02 OF 02 301058Z

WILLINGNESS TO SEND REPRESENTATIVES TO MEET WITH OFFICIALS OF THE MINISTRY AND OR THE NATIONAL BANK TO DISCUSS THE QUESTION OF THE UNITED STATES DISBURSING OFFICER'S ACCOUNTS IN GREATER DETAIL. (COMPLIMENTARY CLOSE.)"

8. ACTION REQUESTED: STATE/TREASURY APPROVAL OF PROPOSED NOTE.

9. FYI: WITH THE LARGE NUMBER OF LOCAL PURCHASE ORDERS, ETC., WE ARE NOW PAYING IN CASH, ABOVE AND BEYOND FSLE PAYROLL, WE MAY IN FACT HAVE TO PURCHASE KIP EARLY NEXT MONTH FOR FIRST TIME SINCE BANK ACCOUNTS WERE FROZEN IN EARLY SEPTEMBER.

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